

Message Text

CONFIDENTIAL

PAGE 01 QUITO 06288 091631Z
ACTION EB-08

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FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 9341
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 6288

E.O. 11652: GDS
TAGS: EWWT, EC
SUBJECT: CCT COMPLAINT, GOE CARGO RESERVATION LAW

REF: STATE 226192

1. AMBASSADOR CALLED UPON VICE ADMIRAL OLMEDO (AT INVITATION OF THE LATTER) EXPRESSING USG CONCERN ABOUT PROBLEMS FACED BY CCT ARISING FROM DENIAL OF WAIVER TO CCT VESSEL DEPARTING MIAMI FOR GUAYAQUIL.

2. ADM. OLMEDO EXPLAINED THAT TRANSNAVE, WHICH RECENTLY INITIATED SERVICE TO U.S. AFTER INCORPORATION OF M/S BALTRA INTO ITS FLEET, HAS DEMANDED A 50 PERCENT CHARE OF CARGO REVENUES OBTAINED ROM SHIPMENTS BETWEEN U.S. AND ECUADOR REGARDLESS OF THE ACTUAL AMOUNT OF CARGO CARRIED BY CCT AND TRANSNAVE. HE INDICATED THAT CCT'S UNWILLINGNESS TO ACCEPT THIS CONDITION IN ARRANGEMENTS WITH TRANSNAVE WAS REASON FOR BREAKDOWN IN NEGOTIATIONS, AND ASKED IF FMC WOULD CONSIDER SUCH A DIVISION OF CARGO REVENUES TO BE IN VIOLATION OF U.S. LAWS BARRING RESTRAINT AGAINST FREE COMPETITION. ACCORDING TO OLMEDO, TRANSNAVE HAS INDICATED THAT DELTA LINES MIGHT BE WILLING TO ENTER INTO SUCH A DIVISION AGREEMENT. AMBASSADOR AGREED THAT IT VERY LIKELY THAT THIS TYPE OF ARRANGEMENT WOULD BE CONFIDENTIAL

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CONTRARY TO U.S. LAW AND AGREED TO REQUEST FMC OPINION ON THE MATTER.

2. ADM. OLMEDO VOLUNTEERED THAT IMMEDIATE PROBLEM OF WAIVERS RESULTED FROM AN INTERNAL GOVERNMENT DIRECTIVE FROM ADM. POVEDA TO THE MERCHANT MARINE DATED AUGUST 23, 1978, FORBIDDING APPROVAL OF FURTHER WAIVERS UNLESS

CARRIERS ENTER INTO RECIPROCAL ARRANGEMENTS WITH ECUADOREAN FLAG LINES. THIS WOULD INCLUDE CCT SHIPMENTS UNTIL ARRANGEMENT WORKED OUT BETWEEN TRANNAVE AND CCT. HE INDICATED THIS ACCOMPLISHED THROUGH END-RUN BY TRANNAVE WHICH BYPASSED ADM. OLMEDO. HOWEVER, IT WOULD APPEAR THAT LAST WAIVER GRANTED CCT AFTER VESSEL WAS ON THE HIGH SEAS MUST HAVE BEEN ISSUED SUBSEQUENT TO THIS DIRECTIVE.

3. ADM. OLMEDO INDICATED THAT MEASURES BENEFICIAL TO TRANNAVE WOULD NOT ONLY BE HARMFUL TO CCT BUT WOULD ALSO PREJUDICE ECUADOR'S TRADE IN GENERAL. AS AN EXAMPLE, HE CITED BANANA SHIPMENTS BY FLOTA BANANERA (OF WHICH OLMEDO IS PRESIDENT) WHICH CHARTERS SHIPS FOR ECUADOR'S LEADING BANANA EXPORTER, NOBOA, AS WELL AS RECENT DELAYS ENCOUNTERED BY TEXACO IN IMPORTING DRILLING EQUIPMENT FROM PORT OF HOUSTON AS EXAMPLES OF PROBLEMS POSED BY PREFERENCE GIVEN TO TRANNAVE. HE ADDED THAT, NOTWITHSTANDING ITS STATUS AS A STATE ENTERPRISE, TRANNAVE SHOULD BE ABLE TO OFFER A COMPETITIVE SERVICE.

4. ADM. OLMEDO STATED THAT, BECAUSE THE ORDER BARRING FURTHER WAIVERS TO CCT CAME FROM HIS SUPERIOR, ADM. POVEDA, IT WAS DOUBTFUL THAT EITHER HE OR MERCHANT MARINE COMMANDANTE EDISON RUIZ COULD INTERVENE TO

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OBTAIN A WAIVER FOR CCT. HE MENTIONED, HOWEVER, THAT TRANNAVE OFFICIALS WOULD BE MEETING WITH FMC TODAY. EMBASSY WOULD APPRECIATE ADVICE ON RESULTS OF ANY SUCH MEETING; ALSO GUIDANCE FOR REPLY TO ADM. OLMEDO'S INQUIRY AS TO FMC'S ATTITUDE TOWARD TRANNAVE'S PROPOSED DIVISION OF REVENUES WHICH MIGHT PROVIDE POSSIBLE AMMUNITION FOR INTERCESSION IN CCT PROBLEMS.

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